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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, December 22, 1999

PETITION OF

CASE NO. PUA990071

WASHINGTON GAS LIGHT COMPANY

AND

SHENANDOAH GAS COMPANY

For authority pursuant to the Public Utilities Affiliates Act, §§ 56-76 *et. seq.* of the Code of Virginia, the Utility Transfers Act, §§ 56-88 *et. seq.* of the Code of Virginia, and the Utility Facilities Act, §§ 56-265.1 *et seq.* of the Code of Virginia, to merge Shenandoah Gas Company with and into Washington Gas Light Company

ORDER GRANTING AUTHORITY

On October 6, 1999, Washington Gas Light Company (“Washington”) and Shenandoah Gas Company (“Shenandoah”) (collectively “the Petitioners”) filed a petition with the Commission under the Public Utilities Affiliates Act, §§ 56-76 *et. seq.* of the Code of Virginia (“Virginia Code”), the Utility Transfers Act, Virginia Code §§ 56-88 *et. seq.*, and the Utility Facilities Act, Virginia Code §§ 56-265.1 *et seq.*, to merge Shenandoah Gas Company with and into Washington Gas Light Company pursuant to Articles of Merger.

As described in the petition, the merger will be tax free to Shenandoah, and Shenandoah’s assets will be carried forward at their recorded values on Washington’s corporate books. Separate divisional books of account will be maintained for the Shenandoah Division until the rates and costs of service for the two companies are merged in the future.

As stated in the petition, employees of Shenandoah will become employees of Washington on the effective date of the merger. The Petitioners represent that this change will have no impact on Shenandoah's costs as Shenandoah's employees will continue with Washington at their current wage levels. Shenandoah employees currently participate in the same benefit programs as those of Washington and will continue to do so after the merger. The Boards of Directors of both companies have approved the merger. As represented in the petition, shareholder approval is not required since the transaction will constitute the merger of a wholly owned subsidiary into its corporate parent. The Petitioners represent that the merger will not impair or jeopardize the provision of adequate service to the public at just and reasonable rates. The petition states that the Petitioners will develop a plan in the future to merge base rates and purchased gas charges.

In connection with the proposed merger, the Petitioners request the Commission to:

- 1) waive the requirement set forth in the Commission's Final Order issued in Case No. PUE970616 that Shenandoah file a depreciation study by the earlier of its next rate filing, or by March 18, 2001, on the condition that the merger of Shenandoah into Washington is completed, and require, instead, that Washington complete and file a depreciation study for its Virginia jurisdictional operations, including the Shenandoah Division, by September 30, 2001;
- 2) authorize Washington upon completion of the merger to cancel the Service Agreement between Shenandoah and Washington approved by the Commission in the Order Granting Authority issued August 9, 1998, in Case No. PUA880021 and to exclude transactions between Washington and the Shenandoah Division from the Annual Report of Affiliate Transactions filed with the Commission's

Director of Public Utility Accounting effective for the year in which the merger is consummated and each year thereafter;

- 3) authorize Washington to file a final report of action related to cash advances made by Washington to Shenandoah pursuant to the authority granted in the Commission's Order Granting Authority issued August 19, 1999, in Case No. PUF990017 within ninety (90) days of the completion of the merger showing the required information only for the period beginning October 1, 1999, through the effective date of the merger;
- 4) authorize Washington, following completion of the merger, to file a single Annual Informational Filing for Washington and the Shenandoah Division using a twelve months' test period for the period ending December 31st of each year following completion of the merger and showing separately the per books results of operations for Washington and the Shenandoah Division until the rates of Washington and the Shenandoah Division are merged, combining all other schedules where appropriate and using the cost of capital methodology determined in Washington's last rate case for the calculation of capital structure and cost of equity;
- 5) authorize Washington to file a separate Form 2 for Washington and the Shenandoah Division in the year in which the merger becomes effective and to file a single, combined Form 2 with the Commission thereafter; and
- 6) reissue Certificate Nos. G-44b, G-54a, G-55b in the name of Washington Gas Light Company.

THE COMMISSION, upon consideration of the petition and representations of the Petitioners and having been advised by its Staff, is of the opinion and finds that the merger of Shenandoah Gas Company with and into Washington Gas Light Company will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved subject to certain conditions and requirements as set forth below. Accordingly,

IT IS ORDERED THAT:

- 1) Pursuant to Virginia Code §§ 56-76 *et seq.* and Virginia Code §§ 56-88 *et seq.*, Washington Gas Light Company and Shenandoah Gas Company are hereby granted authority for Shenandoah to merge with and into Washington with Washington as the surviving entity as described herein, subject to the following conditions:
 - a) that the initial merger creates the Shenandoah Division with the same rates, tariffs, depreciation rates, and schedules as are currently approved for Shenandoah Gas Company;
 - b) that Washington file a plan with anticipated filing and implementation dates for the merging of rates, terms, conditions, and purchased gas adjustments for the two divisions that includes opportunity for customer review and comment and request for hearing if necessary;
 - c) that request for amended certificates including necessary copies of the amended maps for the service territory and transmission and generation facilities is filed showing the merged company name; and

- d) that the merged company file amended tariffs showing the merged company name and retaining the Shenandoah Division as a separate set of tariffs.
- 2) In connection with the authority granted herein for the merger of Shenandoah with and into Washington, the requirement set forth in the Commission's Final Order issued in Case No. PUE970616 that Shenandoah complete and file a depreciation study with the Commission by the earlier of its next rate filing, or March 18, 2001, be waived on the condition that the merger of Shenandoah with and into Washington is completed. Instead, Washington will be required to file a depreciation study for its Virginia jurisdictional operations, including the Shenandoah Division, by September 30, 2001.
- 3) Pursuant to Virginia Code §§ 56-76 *et seq.*, Washington is hereby granted authority to cancel the Service Agreement between Washington and Shenandoah approved by the Commission by Order Granting Authority issued August 9, 1988, in Case No. PUA880021 and to exclude from the Annual Report of Affiliate Transactions transactions between Washington and the Shenandoah Division subsequent to the effective date of the merger for the year in which the merger is completed and thereafter.
- 4) In connection with the authority granted herein, Washington shall file a final report of action related to cash advances made by Washington to Shenandoah pursuant to the authority granted by Order Granting Authority issued August 19, 1999, in Case No. PUF990017 within ninety (90) days after completion of the merger, showing the required information only for the period beginning October 1, 1999, through the effective date of the merger.

- 5) Until such time as the tariffs of Washington and the Shenandoah Division are merged, Washington shall maintain separate books and records for the two jurisdictions as they existed prior to the date of the merger.
- 6) Washington shall be required to track all costs and related savings or benefits derived from the merger for Washington and the Shenandoah Division.
- 7) Washington shall be required to provide a list of all Washington and Shenandoah Division regulatory assets and liabilities before and after the merger.
- 8) Until such time as Washington and the Shenandoah Division merge their tariffs, Washington and the Shenandoah Division shall each file a separate Form 2 with the Commission.
- 9) Until such time as Washington and the Shenandoah Division merge their tariffs, separate rate of return schedules will be required for Washington and the Shenandoah Division and Annual Informational Filing Schedules 3, 6, 7, 8, 11, 12, 13, 14, 16, and 17 shall continue to be filed separately. In addition, the Washington and the Shenandoah Division schedules shall continue to employ each jurisdictional entity's previously approved adjustments and cost of equity range. The use of a common test period as requested by the Petitioners, the twelve months ending December 31st, is proper. Washington and the Shenandoah Division shall each use an end of test period capital structure.
- 10) The authority granted herein shall have no ratemaking implications.
- 11) The Applicants shall file a Report of Action providing the date the merger was consummated.
- 12) There appearing nothing further to be done in this matter, it hereby is dismissed.